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Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 EUR-12 CIAE-00 DODE-00 PM-03 H-01

INR-07 L-02 NSAE-00 NSC-05 PA-01 RSC-01 PRS-01 SP-02

SS-15 USIA-06 AID-05 EB-07 CIEP-01 TRSE-00 STR-01

OMB-01 CEA-01 COME-00 FRB-01 XMB-02 OPIC-03 LAB-04

SIL-01 NIC-01 SAJ-01 /096 W
---------- 046424
R 271313Z DEC 74
FM AMEMBASSY NEW DELHI
TO SECSTATE WASHDC 5960
INFO AMCONSUL BOMBAY
AMCONSUL CALCUTTA
3964
AMCONSUL MADRAS
AMEMBASSY WARSAW

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E. O. 11652: N/A
TAGS: ETRD, IN, PL
SUBJ: INDO-POLISH TRADE AND PAYMENTS AGREEMENT

1. INDIA AND POLAND REACHED AGREEMENT DECEMBER 22 1G, A NEW BILATERAL TRADE AND PAYMENTS AGREEMENT. WHILE IT WAS WIDELY ANTICIPATED THAT NEW AGREEMENT WOULD ABOLISH BILATEJQL RUPEE CLEARING BETWEEN POLAND AND INDIA, NEW AGREEMENT INSTEAD EXTENDS THAT SYSTEM FOR THREE YEARS FROM JANUARY 1, 1975.

2. OFFICER OF POLISH TRADE OFFICE HERE TOLD US THAT AT OUTSET OF NEGOTIATIONS FOR NEW AGREEMENT IN SEPTEMBER 1973 POLES HOPED TO GET AGREEMENT THAT WOULD CONTINUE SYSTEM OF BILATERAL CLEARING, BUT NOT DENOMINATED IN INDIAN RUPEES. RUPEE CLEARING, SOURCE SAID, WAS CAUSING EXCHANGE RATE DIFFICULTIES FOR FOREIGN POLISH TRADE ORGANIZATIONS WHICH ARE ACCUSTOMED TO DOING
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BUSINESS IN "CURRENCY ZLOTYS" WHOSE VALUE IS TIED TO DOLLAR.
HE SAID INDIANS ARGUED THAT THEIR OWN FOREIGN TRADE APPARATUS

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IS GEARED TO RUPEE TRADE WITH ALL SOCIALIST COUNTRIES,
AND CHANGE IN POLAND'S CASE WOULD BE CUMBERSOME AND COMPLICATED
TO ADMINISTER. AGAINST THIS BACKGROUND, POLAND AGREED TO
CONTINUE WITH RUPEE TRADE ARRANGEMENT. POLE SAID THAT NEW AGREEMENT
DIFFERS ONLY IN MINOR RESPECTS FROM AGREEMENT IT REPLACES.
MAXIMUM PERMISSIBLE SWING BALANCE ("TECHNICAL CREDIT") UNDER
NEW AGREEMENT IS RS. 75 MILLION ($9.4 MILLION), UP FROM RS. 60
MILLION IN OLD AGREEMENT.

3. INDIAN FOREIGN MINISTRY OFFICIAL HAD TOLD US EARLIER WHILE
NEGOTIATION WAS STILL UNDER WAY THAT INDIA WOULD HAVE DIFFICULTY
WITH AN ABRUPT SHIFT TO HAND-CURRENCY CLEARING, AND THOUGH IT
MIGHT TAKE ABOUT THREE YEARS TO PHASE OUT RUPEE CLEARING.

4. DESPITE THE FACE PUT ON THE AFFAIR BY BOTH PARTIES, WE
SUSPECT THAT THE POLES WANTED OUT OF THE RUPEE TRADE, BUT WERE
PREVAILED UPON NOT TO COMMENCE THE BREAKUP OF THE EDIFICE OF
INDIAN RUPEE TRADE WITH COMMUNIST
EUROPE. IT TOOK THREE SETS OF TALKS -- JUNE, NOVEMBER, AND
DECEMBER -- IN THE COURSE OF AN AD HOC SIXTH YEAR OF THE PREVIOUS
FIVE YEAR (1967-1973)
AGREEMENT TO NEGOTIATE THE NEW ARRANGEMENT. THAT SUGGESTS TO US
THAT THE POLES PUT UP QUITE A STRUGGLE BEFORE GIVING IN TO
INDIAN DESIRES TO SAVE THE RUPEE TRADE.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TRADE AGREEMENTS, DEBT REPAYMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 27 DEC 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MorefiRH
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974NEWDE17205
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740375-1016
From: NEW DELHI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t1974128/aaaaagjs.tel
Line Count: 86
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: MorefiRH
Review Comment: n/a
Review Content Flags:
Review Date: 30 MAY 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <30 MAY 2002 by boyleja>; APPROVED <31 DEC 2002 by MorefiRH>
Review Markings:

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US Department of State
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30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: INDO-POLISH TRADE AND PAYMENTS AGREEMENT
TAGS: ETRD, IN, PL
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

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